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OPINION

of the Committee on Agriculture

on the Communication from the Commission of the
European Communities to the Council (Doc. 125/77)
concerning the 1977 skimmed milk powder and
butteroil food aid programmes

Draftsman: Mr R.F. HOWELL

PE 49.228/fin./Ann.

At its meeting of 6 and 7 June 1977 the Committee on Agriculture appointed Mr Howell draftsman.

It adopted the draft opinion unanimously at its meetings of 21 and 22 June 1977 and 4 July 1977.

Present: Mr Laban, vice-chairman and acting chairman; Mr Corrie (deputizing for Mr Howell, draftsman); Mr Brégégère, Mrs Dunwoody, Mr Durand, Mr Früh, Mr O. Hansen, Mr Hoffmann, Mr Hughes, Mr Klinker, Mr Kofoed, Mr de Koning, Mr Lemp, Mr Mitchell, Mr Pisoni and Lord St. Oswald (deputizing for Mr Scott-Hopkins).

The communication from the Commission to the Council aims to establish the quantities of skimmed milk powder to be delivered under the 1977 food aid programme in order to meet the developing countries' requirements for milk protein and fat and at the same time respond to the requests received from international organizations.

It is proposed to supply a first instalment of 105,000 t of skimmed milk powder, possibly in the form of solid enriched milk. The appropriations for this amount have already been approved by the Council. This 105,000 t of skimmed milk powder is, however, only part of the 150,000 t of aid which the Commission proposes to provide. A budgetary operation will have to be set in motion in order to free the remaining 45,000 t, this taking the form of a transfer procedure within the budget which has been introduced at the same time.

The Commission has already submitted a proposal concerning the distribution as between countries and the means of financing this supplementary amount of 45,000 t, but the Council has yet to reach a decision. The total quantity of skimmed milk powder to be supplied as food aid in 1977 should therefore amount to 150,000 t. The total quantity of butteroil will be 45,000 t.

The Commission states that its policy has been to concentrate on providing help to the poorest countries, i.e. those where per capita GNP is \$300 or less and where the food-supply situation is critical. Eighty-eight per cent of direct aid in the form of skimmed milk powder and 93% of butteroil will be made available to the poorest countries. In the case of butteroil, of which available supplies are lower than for skimmed milk powder, some countries with an income level of \$300 or more and a relatively favourable balance of payments situation have no longer been included in the list of recipients. Already last year the Commission made distribution of direct aid subject to various criteria: need (free distribution being organized in cooperation with the FAO), per capita income of the population and the balance of payments situation. For the poorest countries with a large foreign exchange shortfall, it is proposed that the Community should deliver food aid free to its destination; for emergency schemes, where no account is taken of income level, financing may also include distribution costs.

Indirect aid is distributed via international organizations such as the World Food Programme, UNICEF, the IRC and the League of Red Cross Societies, to which substantial quantities were also allocated in 1976. A total of 49,310 t of skimmed milk powder is earmarked for direct aid and emergency schemes - i.e. 55% of all aid, of which, as mentioned above, 88% is to go to the poorest countries. Of these 49,310 t, 26,300 t are for sale to the food or dairy industry in the recipient countries and 10,650 t for free distribution. Free distribution leads to additional consumption, so that the risk of direct aid having an unfavourable effect on local production and trade patterns is limited.

Among dairy products, vitamin-enriched skimmed milk powder is very suitable for food aid because it has a high protein content, does not perish readily, is highly soluble and has many applications. Demand for milk powder can be broken down into demand for purposes of domestic consumption which cannot be met for reasons of foreign exchange shortfall, demand resulting from the need to vary an excessively monotonous diet and shortages as a result of natural disasters. In addition, apart from meeting needs for direct consumption, the supply of skimmed milk powder as food aid is very useful in that it can play a role in the development process by stimulating investment in the dairy industry and related infrastructure.

It is proposed to supply this year at least as much food aid in the form of skimmed milk powder as in 1976, i.e. 150.000 t, a quantity which has already been included in the indicative three-year programme for food aid (1977-1979).

The Committee on Agriculture stresses the importance of continuity in food aid over the long term and therefore agrees with the delivery of fixed annual amounts of 150,000 t, although it considers that this quantity ought to be able to be increased if this should prove necessary to meet demand in the developing countries.

The Committee on Agriculture would, however, appreciate it if the Commission could supply more information on the total absorption capacity and the total demand for skimmed milk powder and butteroil and also data on the total population of the countries to which food aid is to be given and the number of people in these countries who will benefit from the food aid. The total cost should also be indicated.

Moreover it would be useful if the Commission would ascertain how much skimmed milk powder has in the past actually reached the place it was intended for.

Additional quantities of skimmed milk powder -- over and above that provided for in the regular programmes -- should be delivered, provided that this does not overstrain the capacity of the countries concerned to absorb them and that the technical problems connected with delivery can be solved. As of June 1977, stocks of skimmed milk powder amounted to 913,836 t, which is more than adequate to meet any extra demand.

It should, however, be pointed out here that Community food aid must be provided on purely humanitarian, ethical and social grounds and that priority must be given to the interests of the developing countries. The question of the cost of skimmed milk powder surpluses is of secondary importance in this context, since even if European agriculture had no surpluses, the Community would nevertheless be duty bound to supply food aid.

On the other hand, the Community must be prepared to make rational use of any surpluses existing at any given time and make substantial quantities of valuable skimmed milk powder available to developing countries with acute food-supply problems and technically capable of absorbing skimmed milk powder.

The Committee on Agriculture persists in its belief that, as long as the developing countries remain unable to meet their own food requirements, food aid must be granted to them without reference to existing surpluses. A policy based on real assessments of long-term needs is therefore required. For this reason, as the European Parliament has repeatedly stressed, the food-aid policy should form an important and integral part of the Community's overall development policy as also of the common agricultural policy.

The Committee on Agriculture is convinced that the problem of surpluses must be tackled at its roots by reducing the burden on the Community budget both as regards the financing of surpluses and the market and price policy. A better balance should gradually be struck between production and demand (which includes food aid) by means of structural measures to control supplies and expand sales. In this connection, great significance attaches to the implementation of an effective programme to rationalize the dairy market; the Council has taken a number of decisions recently on, inter alia, the introduction of a coresponsibility levy, premiums for the non-marketing of milk and dairy products and the conversion of dairy herds.

The Committee on Agriculture recently decided to set up a working party to make a thorough study of the problem of milk surpluses and, if possible, to draw up suggestions for improving the control and management of the dairy market.

The Committee on Agriculture agrees with the measures proposed by the Commission, but considers that the Community should keep open the possibility of raising the amount of 150,000 t of skimmed milk powder in order to play its part in a large-scale international food-aid policy to meet the needs of the Third World, as befits the Community's special responsibility as one of the world's leading producers of food and agricultural products. Apart from the scope of aid, it is important in this connection that particular attention be paid to the efficiency of the delivery and distribution system and that effective guarantees be obtained that the high-protein foodstuffs delivered will be used fairly.

New ways of increasing the effectiveness of food aid should be constantly sought in consultation with the specialized organizations. The Committee on Agriculture fully approves the priority given to the poorest countries.

The Committee on Agriculture emphasizes once again the need to improve the supply of information on the use of food aid in the recipient countries, such information to include the number of people who are benefited by it.

In conclusion, it should be pointed out that food aid should always remain mainly complementary and temporary in nature and that efforts must be made to ensure that it does not hamper the development of agricultural production in the developing countries. However, it must, alas, be considered probable that the situation where food requirements in the world cannot be met by domestic production will continue for some time.

The Committee on Agriculture, on the basis of the above considerations, approves a long-term food aid programme which does not distort trade through normal market channels and which is in principle applied without reference to the level of Community stocks.

It nevertheless strongly urges the Council to take at an early date a decision in favour of the transfer of appropriations for the remaining 45,000 t of skimmed milk powder. Failing a favourable decision, only 105,000 t of skimmed milk powder will be delivered in 1977, which would mean reduced deliveries by comparison with the 150,000 t of 1976. If this should be the case, not only would it be particularly disastrous for the developing countries themselves but would also do serious damage to the long-term food aid policy aimed at. It is very important that this policy should show an even trend, with no arbitrary reductions in the quantities to be delivered being tolerated, and that any opposition to the planning of food aid over several years should be overcome.

